LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7500
BILL NUMBER: SB 383

DATE PREPARED: Jan 25, 1999
BILL AMENDED:

SUBJECT: High technology investment credit.

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FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows a credit against state tax liability for qualified investments in small Indiana high technology businesses. It provides that the credit equals 10% of the amount of qualified investment made in the taxpayer's taxable year. The bill also provides that the credit applies only to qualified investments made in 2000, 2001, and 2002.

Effective Date: January 1, 2000.

Explanation of State Expenditures: This bill would a provide tax credit for taxpayers investing in certain high technology businesses in Indiana. The Department of Revenue (DOR) would have to develop forms for the reporting of this credit, but would be able to absorb the related expenses of processing, printing, and computer programming within its current budget.

Explanation of State Revenues: Under this proposal, a taxpayer making an investment in certain Indiana-based high technology businesses would be entitled to a credit equal to 10% of the investment. These businesses must conduct high technology research and have fewer than 225 employees, at least 75% of which must work in Indiana. The credit may be taken against gross income tax, adjusted gross income tax, supplemental net income tax, financial institutions tax, and insurance premium tax liability. Revenue from these taxes is deposited in the state General Fund and the Property Tax Replacement Fund (PTRF). There is no limit on the total amount of tax credits allowed under this bill.

This credit may reduce state tax revenues by an indeterminable amount beginning in FY 2001, however, businesses may receive credits under this bill for only tax years 2000, 2001 and 2002 and so the revenue impact will fall in FY 2001, FY 2002, and FY 2003. If the amount of credit exceeds a taxpayer’s liability, the excess may be carried forward. A taxpayer is not entitled to a carryback or a refund of any unused credit. If a pass through entity without state tax liability is entitled to a credit, a shareholder, partner, or a member of the entity is entitled to a credit equal to the credit determined for the pass through entity multiplied by that person’s share of the entity’s distributive income.

Secondary impact: This bill creates a new incentive for investment in small high-tech companies. If the additional investment generated is successful in creating new jobs and stimulating economic development, there should be future increases in corporate and personal income tax collections. Greater personal income may also result in increased revenue from other taxes, such as the sales tax, the motor vehicle excise tax, and others. It is not known if the positive secondary impacts associated with this proposal would be enough to offset the reduction in state tax revenues.

Explanation of Local Expenditures:

Explanation of Local Revenues: If the additional investment encouraged through this credit is sufficient to create employment and promote economic growth, there could be positive secondary fiscal impacts for local units (see above Explanation of State Revenues).

State Agencies Affected: Department of Revenue.

Local Agencies Affected:

Information Sources: